

NEW NORDIC HEALTHBRANDS AB (PUBL) NINE MONTH REPORT JANUARY - SEPTEMBER 2018



	NINE MONTHS 2018	NINE MONTHS 2017	Q3 2018	Q3 2017
Net sales, kSEK	296 077	258 097	112 697	88 315
Change in SEK, %	14.7%	9.7%	27.6%	4.2%
Change in local currencies, %	10.0%	7.9%	19.7%	5.0%
Gross profit, kSEK	207 535	173 161	78 307	58 958
Gross margin, %	70.1%	67.1%	69.5%	66.8%
EBITDA kSEK	24 908	18 601	13 786	9 161
EBITDA, %	8.4%	7.2%	12.2%	10.4%
Operating profit, kSEK	24 403	18 011	13 617	8 966
Operating margin, %	8.2%	7.0%	12.1%	10.2%
Profit for the period, kSEK	24 421	17 245	13 445	8 704
Earnings per share after tax *, SEK	3.11	2.20	1.73	1.13
EBITDA per share *, SEK	4.02	3.00	2.23	1.48

* There are no dilutive effects

COMMENTS BY CEO KARL KRISTIAN BERGMAN JENSEN

We had a very strong 3rd quarter with record sales and profit. Sales in the first 9 months of the year increased organically by nearly 15 per cent amounting to 296.1 MSEK and profit after tax amounted to 19.3 MSEK. This is equal to 3.11 SEK per share after tax for the first nine months of the year.

Sales increased in all geographical areas; The Nordic, Other Europe, North America and Asia. After years of preparations in the Asian markets, we are now seeing the results of our efforts. We managed to launch a range of New Nordic products in Watson's pharmacies in Hong Kong the last week of September. We also continued our marketing efforts and sales on Alibaba's Tmall online store. In North, America sales continue to grow and we continue to take market share in the Hair Skin and Nail supplement sector in the US. Step by step we are increasing our distribution here. Our 3 biggest retail partners in the US are Walgreens, CVS and Amazon. We are now present in 24 major retailer chains, online stores and wholesalers in the US with more coming into place. In Canada, we have an excellent distribution through pharmacies, health stores and groceries. Walmart, Shoppers Drug Mart and McKesson are our top 3 retail partners and also here we continue to take market share. We are more established with more products launched in the Nordic markets. Business increased in the Nordic markets both during the 3rd quarter and during the first nine months of the year. Sales also continue to grow in all the other European markets where we operate with particular fine growth in the UK and Germany. We have now also taken steps to prepare to enter the Southeast European markets and employed people in our organisation in Roskilde, Denmark to handle this.

In the period we have introduced two new products to the market. A line extension to our Blue Berry range: Blue Berry™ Eye Stress, for people experiencing eye strain after spending too much time looking at mobile phone, tablet and computer screens. We have also introduced a Skin Care™ Beauty Oil to further strengthen our inner beauty skin care range.

Our research team has been busy continuing the work with natural micro-biome eco-systems and we have obtained some exciting results for future applications in our products. The Wild Biotic™ product based on natural lactic acid bacteria from honey and other bee-products has been very well received by the trade and consumers. Wild Biotic™ was awarded the Danish Health and Science Award 2018. That is not the only award that we have received recently. New Nordic in the UK won the Global Health & Pharma's International Life Sciences Awards 2018 as the best herbal food supplements manufacturer 2018.

Our costs are under control. The gross margin is satisfactory and the growth in the gross margin over the first nine months reflect that we have focused sales on high margin products. Cost of marketing, personnel and other costs has increased in the period with a higher percentage than sales. Particular in the US we have invested in marketing to lift sales of new product launches in an initial time period.

Our balance is well trimmed and we are very asset light. The inventory level of 61.7 MSEK is around 5 MSEK higher than our long term objective for the current sales level. It has increased nearly 20 million SEK since end October 2017 but at that time it was extraordinarily low and too low to properly service our customers.

Return on equity for the first nine months amounted to 26.1 per cent. The return on capital employed amounted to 28.2 per cent. The total net interest-bearing debt to EBITDA amounted to 0.5. Our financial situation is strong.

The growth is a result of our international team's great continued efforts and focus on execution of our strategy including increased marketing efforts to further build the sales, innovation to strengthen existing product brands and the launch new products to satisfy more consumer needs plus a geographical expansion to serve new consumers. Everybody at New Nordic is keen on continuing this excellent work to secure continued growth. This makes me very enthusiastic about our results in 2018 and I look forward to continuing our progress in 2019.

Sales

Sales during the first nine months amounted to 296.1 MSEK (258.1), an increase of 14.7 per cent. In local currencies, the increase was 10.0 per cent. Sales increased in all geographical areas.

Results for the nine months

Gross profit for the nine months increased to 207.5 MSEK (173.2). This corresponds to a gross margin of 70.1 per cent (67.1). EBITDA amounted to 24.9 MSEK (18.6). This corresponds to an EBITDA margin of 8.4 per cent (7.2). Operating profit amounted to 24.4 MSEK (18.0). This corresponds to an operating margin of 8.2 per cent (7.0). Profit after financial items amounted to 24.4 MSEK (17.2). Profit after tax for the nine-month period was 19.3 MSEK (13.7).

Comments to the third quarter

Sales in local currencies increased by 19.7 per cent. Converted into SEK, sales increased by 27.6 per cent to 112.7 MSEK (88.3). The sales were satisfactory and obtained by increased marketing efforts, new product launches and increased distribution in both existing markets and new markets. Sales increased in all geographic regions; the Nordic, Other Europe, North America and Asia.

Gross margin increased to 69.5 per cent (66.8) as a result of the focus on high margin products and economy of scale in the production of high selling SKU's. Personnel, sales and administration expenses amounted to 64.5 MSEK (49.8), an increase of 29.6 per cent. The number of employees at end of the period was 48 (40). The largest increase in expenses was related to increased marketing costs.

EBITDA increased by 4.6 MSEK and profit after tax with 3.8 MSEK. Depreciation was status quo at -0.2 MSEK (-0.2). Interest and other financial items were reduced to -0.2 MSEK (-0.3).

Profit after financial items increased by 54.5 per cent and amounted to 13.4 MSEK (8.7). Profit after tax increased by 53.9 per cent and amounted to 10.7 MSEK (7.0).

Financial position and cash flow

The Group's balance sheet total as of September 30th, 2018, amounted to SEK 176.4 million (141.6), an increase of 24.6 per cent compared to the same time last year.

Inventories increased by 45.5 percent compared to the same period last year and amounted to 61.7 MSEK (42.4). Last year inventories were too low to secure a satisfactory degree of deliveries whereas the current inventory level is 5 to 6 MSEK above our objective for the current sales level. During the first nine months the current operations generated a positive cash flow of 1.9 MSEK (12.5) reflecting the increase in inventory. Cash and cash equivalents at end of the period amounted to 7.9 MSEK (6.7).

The Group's equity ratio was 41.8 per cent (38.2).

Shareholders' equity apportioned on the outstanding 6,195,200 (6,195,200) shares was on September 30, 2018, 11.90 SEK per share (8.72).

Expansion

In 2018 and onwards, the company will continue to focus on building the global brand value of the New Nordic brand, its characteristic silver tree mark and the sub-brands of individual condition-specific dietary supplements. The company will strive to operate as a sharply defined and non-compromising global brand, reflecting its Scandinavian heritage and values and its passion and expertise in natural herbals. The aim is to make a contribution to the world by making vitality bringing products which can advance the daily health and beauty of body and mind of humankind. Innovation that satisfies health and beauty needs and marketing that connect with New Nordic's potential plus an expanding geographical reach to more consumers around the world are driving New Nordic towards their goals.

Parent company

During the first nine months of 2018, the parent company had in net sales of 113.8 MSEK (87.0).

Comment current quarter

Sales during the first weeks of October has started satisfactory.

Transactions with related parties

There have not been any material transactions with related parties during the period.

Accounting principles

This report has been prepared in accordance with the Annual Accounts Act (1995: 1554) and BNFAR 2012:1 Annual Report and Consolidated Financial Statements (K3).

Certified Adviser

New Nordic Healthbrands AB's Certified Adviser är Mangold Fondkommission AB. +46 8 503 01 550.

Upcoming reports

Full Year Report 2018	1 March 2019
Annual Report 2018	28 March 2019
Three-Month Report 2018	25 April 2019
General Meeting in Malmö	25 April 2019

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This report has not been audited.

Malmö 31 October 2018

New Nordic Healthbrands AB (publ)

Board of Directors

New Nordic Healthbrands AB

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INCOME STATEMENT

(kSEK)	NINE MONTHS 2018	NINE MONTHS 2017	Q3 2018	Q3 2017
Sales	296 077	258 097	112 697	88 315
Cost of goods sold	-88 542	-84 936	-34 390	-29 357
Gross profit	207 535	173 161	78 307	58 958
Personnel expenses	-29 319	-25 197	-10 355	-8 867
Other external expenses	-153 308	-129 363	-54 166	-40 930
EBITDA	24 908	18 601	13 786	9 161
Depreciations	-505	-590	-169	-195
Operating profit (EBIT)	24 403	18 011	13 617	8 966
Interest and other financial items	18	-766	-172	-262
Profit after financial items	24 421	17 245	13 445	8 704
Tax	-5 144	-3 586	-2 702	-1 723
Profit for the period	19 277	13 659	10 743	6 981
Average number of shares	6 195 200	6 195 200	6 195 200	6 195 200
Number of shares by the end of the period *	6 195 200	6 195 200	6 195 200	6 195 200
Earnings per share after tax, SEK	3.11	2.20	1.73	1.13
EBITDA per share, SEK	4.02	3.00	2.23	1.48

* There are no dilutive effects

BALANCE SHEET

(kSEK)	Q3 2018	Q3 2017	FULL YEAR 2017
Assets			
FIXED ASSETS			
Intangible fixed assets	16	85	37
Tangible fixed assets	1 409	1 299	1 239
Financial assets	4 128	4 277	4 324
Total fixed assets	5 553	5 661	5 600
CURRENT ASSETS			
Inventories	61 699	42 416	50 917
Current receivables	101 180	86 820	73 243
Liquid funds	7 920	6 687	9 058
Total current assets	170 799	135 923	133 218
TOTAL ASSETS	176 352	141 584	138 818
Equity and liabilities			
EQUITY	73 739	54 040	60 810
Deferred tax	1 937	1 512	2 040
Long-term debt	974	1 200	1 363
Short term liabilities – interest bearing	11 788	19 162	7 292
Short term liabilities – non interest bearing	87 914	65 670	67 313
Current liabilities	99 702	84 832	74 605
TOTAL LIABILITIES AND EQUITY	176 352	141 584	138 818

CHANGE IN EQUITY

Q3 2018 (kSEK)	Share capital	Other equity incl. profit for the year	Total equity
Opening balance	6 195	54 615	60 810
Dividend	0	-7 124	-7 124
Exchange difference	0	776	776
Profit for the period	0	19 277	19 277
Closing balance	6 195	67 544	73 739

Q3 2017 (kSEK)	Share capital	Other equity incl. profit for the year	Total equity
Opening balance	6 195	36 784	42 979
Dividend	0	-2 478	-2 478
Exchange difference	0	-120	-120
Profit for the period	0	13 659	13 659
Closing balance	6 195	47 845	54 040

FULL YEAR 2017 (kSEK)	Share capital	Other equity incl. profit for the year	Total equity
Balance	6 195	36 784	42 979
Dividend	0	-2 478	-2 478
Exchange difference	0	12	12
Profit for the period	0	20 297	20 297
Closing balance	6 195	54 615	60 810

CASH FLOW STATEMENTS

(kSEK)	NINE MONTHS 2018	NINE MONTHS 2017	Q3 2018	Q3 2017
CURRENT OPERATIONS				
Profit after financial items	24 403	18 011	13 617	8 966
Adjustments for				
Depreciations	505	590	169	195
Other provisions	21	-55	0	-55
	24 929	18 546	13 786	9 106
Interest received	0	0	0	0
Interest expense	-276	-501	-130	-142
Taxation paid	-4 170	-4 442	-3 390	-2 258
Cash flow from current operations before changes in working capital	20 483	13 603	10 266	6 706
Cash flow from changes in working capital				
Inventories	-10 782	8 921	-111	1 900
Current receivables	-27 273	-25 036	-7 477	-1 701
Current liabilities	19 471	15 052	2 969	-2 716
Cash flow from current operations	1 899	12 540	5 647	4 189
INVESTMENT ACTIVITIES				
Acquisition of tangible assets	-853	-129	-3	-100
Sales of equipment	231	95	0	95
Change in long-term receivables	472	-68	1	186
Cash flow from investment activities	-150	-102	-2	181
FINANCING ACTIVITIES				
Dividend	-7 124	-2 478	0	0
Changes in long term debt	-389	-118	-98	-16
Change in bank overdrafts	4 496	-9 859	-4 723	-2 072
Cash flow from financing activities	-3 017	-12 455	-4 821	-2 088
Cash flow for the period	-1 268	-17	824	2 282
Liquid funds at the beginning of the period	9 058	6 864	7 259	4 397
Changes in liquid funds	130	-160	-163	8
Liquid funds at the end of the period	7 920	6 687	7 920	6 687

KEY FIGURES

(kSEK)	NINE MONTHS		NINE MONTHS	
	2018	2017	Q3 2018	Q3 2017
Sales	296 077	258 097	112 697	88 315
Gross profit	207 535	173 161	78 307	58 958
EBITDA	24 908	18 601	13 786	9 161
Operating profit	24 403	18 011	13 617	8 966
Profit after financial items	24 421	17 245	13 445	8 704
Profit after tax	19 277	13 659	10 743	6 981
Total assets	176 352	141 584	176 352	141 584
Return on capital employed, %	28.2	24.2	16.3	12.5
Return on shareholders equity, %	26.1	25.3	15.7	13.8
Equity	73 739	54 040	73 739	54 040
Equity ratio, %	41.8	38.2	41.8	38.2
Debt ratio	1.39	1.62	1.39	1.62
Interest coverage ratio	88.42	35.95	105.56	63.58
Investments	853	129	3	100
Cash flow from current operations	1 899	12 540	5 647	4 189
Gross margin, %	70.1	67.1	69.5	66.8
EBITDA margin, %	8.4	7.2	12.2	10.4
Operation margin, %	8.2	7.0	12.1	10.2
Profit margin, %	8.2	6.7	11.9	9.9
Number of employees, average	45	41	47	42
Number of employees by the end of the period *	48	40	48	40
Sales per employee	6 579	6 295	2 398	2 128
Gross margin per employee	4 612	4 223	1 666	1 421
Profit per employee	543	421	286	210
Average number of shares in the period	6 195 200	6 195 200	6 195 200	6 195 200
Number of shares by the end of the period *	6 195 200	6 195 200	6 195 200	6 195 200
Treasury shares at end of period *	0	0	0	0
EBITDA per share, SEK	4.02	3.00	2.23	1.48
Profit per share *, SEK	3.11	2.20	1.73	1.13
Equity per share, SEK	11.90	8.72	11.90	8.72

* There are no dilutive effects

NEW NORDIC GEOGRAPHIC

	Q3 2018		Q3 2017		FULL YEAR 2017	
Sales divided by gergraphic, SEK	MSEK	Percent	MSEK	Percent	MSEK	Percent
Norden	122	41	108	42	144	42
Other Europe	104	35	83	32	110	32
North America	68	23	65	25	89	25
Other World	2	1	2	1	2	1

QUARTERLY OVERVIEW

	2018			2017				2016				2015			
	Q 1	Q 2	Q 3	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Turnover MSEK	88.4	95.0	112.7	80.9	88.9	88.3	86.6	74.6	76.0	84.7	70.6	72.9	76.5	73.9	75.2
Change from last year, %	9.3	6.9	27.6	8.5	17.0	4.2	22.8	2.2	-0.7	14.7	-6.2	19.4	2.1	13.2	6.4
EBITDA, MSEK	7.3	3.8	13.8	4.2	5.3	9.2	9.9	3.2	2.1	7.4	1.4	4.7	4.2	5.5	4.2
EBITDA-margin, %	8.3	4.0	12.2	5.1	5.9	10.4	11.4	4.3	2.7	8.7	2.0	6.5	5.4	7.4	5.6
Operating result, MSEK	7.1	3.6	13.6	4.0	5.1	9.0	9.6	2.8	1.8	7.2	1.2	4.1	3.5	4.9	3.3
Operating margin, %	8.1	3.8	12.1	4.9	5.7	10.2	11.1	3.8	2.4	8.5	1.7	5.6	4.6	6.6	4.4
Result before tax, MSEK	7.4	3.6	13.4	3.7	4.9	8.7	9.9	3.1	1.6	6.9	0.9	3.9	2.8	4.7	2.8
Result after tax, MSEK	5.6	2.9	10.7	2.9	3.8	7.0	6.6	2.3	1.5	5.5	0.3	3.1	2.2	3.7	2.3
Cash, MSEK	7.8	7.3	7.9	3.7	4.4	6.7	9.1	4.0	5.7	7.0	6.9	5.6	4.1	5.1	6.8
Inventory, MSEK	53.9	61.6	61.7	43.0	44.2	42.4	50.9	54.4	59.0	51.1	51.6	38.7	34.2	31.9	46.9
Equity, MSEK	67.4	63.3	73.7	45.9	47.0	54.0	60.8	37.7	37.4	42.6	43.0	27.7	30.1	33.3	35.8
Result per share, SEK	0.91	0.47	1.73	0.47	0.61	1.13	1.07	0.37	0.24	0.88	0.05	0.50	0.36	0.60	0.37
Equity per share, SEK	10.89	10.22	11.9	7.41	7.58	8.72	9.82	6.09	6.04	6.88	6.94	4.47	4.86	5.37	5.77
Cash flow from current operations per share, SEK	0.49	-1.10	0.91	-0.10	1.45	0.68	2.26	-1.07	0.18	-0.53	-0.06	-0.57	-0.29	0.15	0.21
Solidity, %	45.2	37.6	41.8	33.9	33.5	38.2	43.8	27.3	26.3	29.6	33.7	25.6	26.2	28.4	28.6

Gross profit: Net sales less cost of sold goods.

Equity: Equity as a percentage of total assets.

Leverage ratio: The ratio of total liabilities and equity.

Profit margin: Profit after financial items plus financial expenses divided by financial expenses.

Return on equity: Net income as a percentage of shareholders' equity at period end.

Capital employed: Total assets less non-interest-bearing provisions and liabilities.

Return on capital employed: Profit after financial items plus financial expenses divided by capital employed.

Investments: Investments in tangible and intangible assets.

Gross margin: Gross profit as a percentage of net sales.

EBITDA margin: Operating income before depreciation and amortization as a percentage of net sales.

Operating margin: Operating profit after depreciation and amortization as a percentage of net sales.

Profit margin: Profit after financial items as a percentage of net sales.

Revenue per employee: Net sales divided by the average number of employees.

Gross profit per employee: Gross profit divided by the average number of employees.

Profit per employee: Profit after financial items divided by the average number of employees.

Earnings per share: Profit after tax divided by the average number of shares.

Equity per share: Shareholders' equity divided by shares outstanding at period end.